Providing Information to Retirees of the Judges, State Patrol and School Plans

Nebraska Retirement Systems

December 2006

Review Your Tax Withholding

Once each year federal law requires the Nebraska Public Employees Retirement Systems (NPERS) to remind you, as a benefit recipient, of your ongoing right to start, stop or change the tax withholding from your retirement benefit.

While you are not required to have federal income tax withheld from your monthly benefit, the Internal Revenue Service may assess interest or penalty charges if your estimated tax payments or withholding amounts fall short of your tax liability.

You may designate the number of allowances you want to claim and your marital status for both state and federal withholding using NPERS' Withholding Certificate for Pension or Annuity Payments form. Your allowances determine the amount of tax you want NPERS to withhold from your benefit payment. You may change your withholding at any time.

To obtain the Withholding Certificate for Pension or Annuity Payments form, complete the "request form"

below, visit NPERS' website at www.npers.ne.gov, or call our office at the numbers listed below.

No action is necessary if your present tax authorization for your monthly retirement benefit still fits your needs.

If you are a Nebraska resident, NPERS is required to withhold Nebraska taxes using the allowances and marital status you claimed for federal withholding. You may also elect additional amounts of withholding over and above the marital status and allowances you elected on your federal and/or state withholding; these amounts are not required to match. Nebraska residents choosing not to have federal tax withheld from their retirement benefit payment are not required to have Nebraska state income tax withheld. If you are not a Nebraska resident, NPERS is **not** required to withhold Nebraska taxes from your benefit payment.

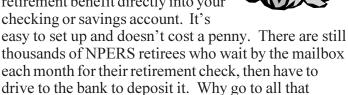
For tax *advice*, we suggest you contact a tax professional about your individual situation. If you have questions about information contained in this article, please contact NPERS at 800-245-5712 or 402-471-2053. □

It's Money in the Bank!

One of the best ways to simplify retirement is with Direct Deposit which electronically transfers your retirement benefit directly into your checking or savings account. It's

trouble?

City, State, Zip



Simplify your life and try Direct Deposit. Use the "Request Form" below to obtain a Direct Deposit Agreement form, or contact us by phone or visit our website at **www.npers.ne.gov**. Completing the form is simple. Think of it as money in the bank!

2007 Benefit Payment Schedule

If you have your monthly payment deposited directly with your bank, the following is a month by month schedule of the date payment will be made to your account in the year 2007:

> January 31 July 31 February 28 August 31 March 30 September 28 October 31 April 30 May 31 November 30 June 29 December 31

For those of you who receive your check by mail, your payment will be <u>mailed</u> by the above dates.

Keep Us Up To Date

If you have a change of address or any other demographic changes, please be sure to let NPERS know. You can use the form below or send us a note with your signature. If you don't keep us up-to-date, we can't keep you up-to-date!

Address Change/Request Form

Please use the form below to notify NPERS of a change of address OR to request an NPERS form. (Please print)

Check here if this is a change of address. Your signature is required for a change of address.	
Signature Account Number (shown on address label)	If you need additional information or a form, please check the appropriate box(es) below:
Social Security Number	 Withholding Certificate for Pension or Annuity Payments Form
Name	Direct Deposit Agreement Form
Address	Beneficiary Designation Form

1099-R Tax Statements Coming

Watch your mail in mid to late January for an envelope marked *Important Tax Return Document Enclosed*, which will include benefit information to be filed with your 2006 income tax returns.

Each box on the 1099-R is defined on the back of the form. Make sure NPERS has your **current address** so you receive your 1099-R in a timely fashion.

Questions about individual tax liability should be directed to your accountant, the Internal Revenue Service or your state Department of Revenue.

The Following is a Brief Explanation of the 1099-R Form:

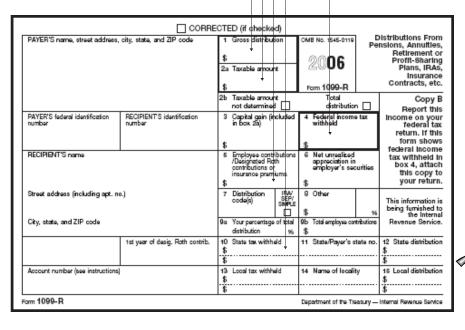
- Box 1 shows everything NPERS paid to you in 2006.
- Box 2a is the amount that is taxable to you.
- Box 4 is the amount that was witheld for federal taxes.
- Box 5 is the amount that is not taxable.
- Box 10 is the amount that was witheld for state taxes.

COLA Set at 2.5%

Did you notice a cost of living adjustment (COLA) in your benefit check in 2006? Retirees of the **School**, **Judges and State Patrol Plans** who have received benefits at least one full fiscal year (July 1-June 30) are granted a COLA increase. This increase is based on the consumer price index (CPI) and capped at a maximum percentage. By law, the COLA percentage is either capped at 2.5%, or the increase in the CPI, whichever is less. Late last July the U. S. Department of Labor revealed a CPI of 198.6 for the year ending June 30, 2006, compared to the prior year's CPI of 191.0. As a result, the majority of School, Judges and State Patrol retirees saw a **2.5% increase** in their July benefits, the same amount as the prior year's COLA of 2.5%.

By law, a minimum or "floor" is set to a retiree's purchasing power. For the **School and Judges Plans**, the floor is 75% of the purchasing power of the initial benefit. For the **State Patrol Plan**, the floor is 60% of the initial benefit. If your retirement benefit would erode to an amount below the minimum floor purchasing power, your benefit adjustment would reflect the amount necessary to return to the minimum purchasing power.

NPERS issued correspondence to all affected retirees at the end of July 2006. If you were eligible for the COLA increase, this letter explained the type of COLA and actual dollar amount of your increase. If you have questions about the COLA, please contact NPERS. \Box





Address Service Requested